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# GAIN Report

Global Agricultural Information Network

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## **New Zealand**

## **Livestock and Products Annual**

## **New Zealand Cattle and Beef Production Annual Report 2018**

**Approved By:**

Rey Santella - Agricultural Counselor

**Prepared By:**

David Lee-Jones - Agricultural Specialist

**Report Highlights:**

FAS/Wellington forecasts 2018 beef production to be significantly higher at 670,000 metric tons (MT), which is expected to increase exports to 603,000 MT. In 2019, beef production and exports are expected to moderate at 656,000 MT and 589,000 MT respectively.

## Executive Summary

Post forecasts 2019 beef production at 656,000 metric tons (MT) carcass weight equivalent (CWE), two percent less than 2018. Total slaughter is estimated at 4.17 million (m) head. This is 1.4 percent below 2018 as a result of the cow kill returning to a status quo and other adult cattle kill returning to moderate levels compared to the upsurge experienced in 2018. This level of beef production is in the range of 645,000 MT to 660,000 MT CWE, which now appears to be the medium term annual production level. Two main underlying factors behind the higher production numbers are the larger dairy herd, which is essentially stable and now produces a greater number of culled cows. In addition, over the last three years, farmers have shifted toward beef production at the expense of sheep production.

Beef production in 2018 has completely undermined previous forecasts. It is likely 670,000 MT CWE will be produced, which is an eight percent increase from previous forecast and a three percent increase over 2017. This is a result of a significantly higher total slaughter, which is now estimated at 4.23 m head, four percent above the previous forecast and two percent above 2017.

The rise in beef production and stable domestic consumption will result in higher exports. Post forecasts 2019 exports at 589,000MT CWE, two percent below the 603,000 MT CWE now forecast for 2018. The revised 2018 forecast represents a three year high and will be an eight percent revision on the previous forecast. Year-to-date (June 2018) exports to the United States are estimated at 175,000 MT CWE, which is slightly ahead of 2017 even though exports to China at 82,000MT CWE are up 25 percent during the same period. Post now expects 2018 exports to the United States to be similar to 2017 and reach between 265,000 MT to 275,000 MT CWE. Post is now forecasting 2018 exports to China at between 130,000 MT to 140,000 MT CWE, which would be around 14 percent above 2017.

If beef exports to China continue to rise in 2019, it's likely that exports to the United States could decline by 15,000 MT CWE. Total exports to the United States are likely to be 250,000 to 260,000 MT CWE in 2019 and exports to China in excess of 140,000 MT CWE.

*Note: the Marketing Year (MY) is the calendar year; the MY2019 marketing year is shown as 2019*

*Data included in this report is not official USDA data. Official USDA data is available at <http://www.fas.UNITEDSTATESDA.gov/psdonline>*

## Cattle Situation

### Cattle Production and Inventory Changes

## 2019

The initial forecast for the total cattle slaughter for 2019 is 4.165 million (m) head, which will be 1.4 percent below the 2018 slaughter number. The calf slaughter is forecast to be stable. A 30,000 head or 2.6 percent reduction in the combined heifer, steer, and bull slaughter and the anticipated return of the cow kill to more of a status quo level at 970,000 head are reasons for the reduction. The short term spike in the bull kill experienced in 2018 is likely to moderate in 2019 and is forecast to be four percent below 2018.

Based on industry forecasts and Post's calculations, the total cattle inventory is forecast to be 10.2 m head by the end of 2019. The total cattle herd has fluctuated between 10.1 m head and 10.2 m head in the last three years, which is a 0.9 percent margin. Over the last two years New Zealand's dairy herd decreased as dairy farmers right-sized their cow numbers in response to greater financial volatility and increased environmental constraints. Meanwhile, sheep and beef farmers have increased their beef cattle numbers in response to better financial returns. In 2019, this is likely to flip with dairy cattle numbers remaining stable and the beef herd contracting slightly as the spike in bull kill numbers move through the system.

Underlying longer term trends, which are likely to maintain beef production, are:

- Over the past few years, farmers have gradually migrated to producing cattle in place of sheep because of its perceived profitability. This trend is likely to continue unless the existing high sheep prices persist for the next couple years. If the high sheep prices remain, farmers may revert to raising sheep in lieu of cattle;
- Dairy farmers, particularly large enterprises, are starting to choose to rear more of their surplus calves and raise them for beef production rather than dispose the calves directly to slaughter; and
- Intensification of beef grazing management systems can double or treble per hectare bull meat production.

## **Mycoplasma Bovis outbreak**

In May 2018 the New Zealand (NZ) government in collaboration with industry made a decision to attempt to eradicate the Mycoplasma Bovis (M. Bovis) disease. Mycoplasma Bovis (M. Bovis), a bacterial disease that affects cattle, common in many countries had never been identified in New Zealand before July 2017 when the Ministry for Primary Industries (MPI) confirmed the disease was present on a dairy farm in South Canterbury. The disease does not affect humans and presents no food safety risk. Rather, the disease can have serious effects on cattle, including udder infection, abortion, pneumonia and arthritis. There is no recovery or cure for the disease.

Over a period of up to ten years MPI forecasts a further 126,000 head will be culled, in addition to the approximately 30,000 head which have already been culled. In total, MPI thinks a total of 200 farms will need to be de-populated for the 60 day stand-down period where all existing cattle are killed.

There are currently 37 Infected Properties (IP) where all cattle will be culled and each property undergoes a 60 day stand-down period before it can be stocked with cattle again. A further 21 properties are suspected to be harboring the disease and are placed under a Restricted Place Notice. In addition there are 176 properties under a Notice of Direction where testing is going on. There are also 137 properties under assessment which may go to the full testing stage under a Notice of Direction.

MPI forecasts M. Bovis eradication will cost NZ\$886M (USD594M) over ten years including the cost of compensation for those farmers who have had their whole herds destroyed. Under the new Government Industry Agreements on Bio-Security, New Zealand's beef industry may have to contribute up to 32% of the total cost. The NZ Government has stated it is going to tighten up compliance with the National Animal Identification and Traceability (NAIT) scheme to help to speed up MPI's capacity to trace cattle.

Post envisages that the eradication process is not going to affect the overall cattle slaughter numbers over the medium to longer term, but it may cause some short term volatility.

## **2018**

Post has significantly revised the forecast for New Zealand's total cattle kill for 2018. At 4.23 m head, this represents a 4.2 percent increase over the previous estimate. The reasons for the higher forecast are:

- An 11 percent increase in the cow kill; from an anticipated 900,000 head to 1,000,000 head, and;
- A 13 percent increase in the bull kill; from 465,000 head to 525,000 head.

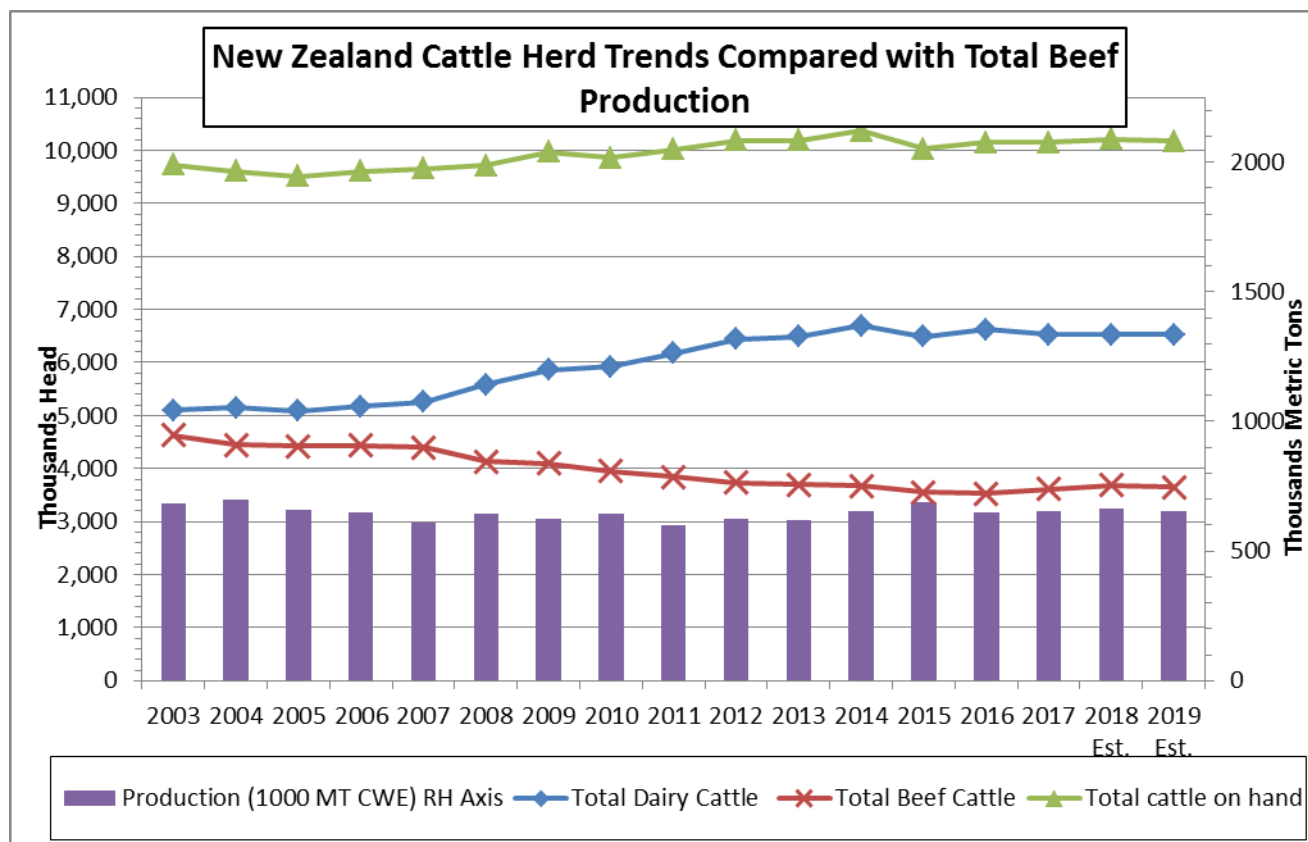
The increased cow kill may be the result of the sector continuing to right-size cow numbers to optimize per cow production and minimize financial and environmental costs. The increased bull kill, which has taken most analysts somewhat by surprise is probably based on two factors. Firstly, the increased numbers of dairy bred calves reared in 2016 and 2017, may not be fully taken into account in official government statistics, and are now reaching marketable age. In addition, there was a surge in the cattle kill in early 2018 because of the threat of drought and then again toward mid-year, as farmers took advantage of higher prices and sold cattle pre-winter.

One factor that is difficult for industry analysts and government statisticians to predict is the number of cattle produced by "hobby farmers" and small-holder blocks. These properties have grown over the last ten years, which has resulted in larger numbers of cattle being produced. The numbers of bulls, steers, and heifers coming forward to slaughter from these properties are estimated to be between seven to fifteen percent of the total. Extra bulls from these properties could be one factor explaining the bulge in the bull kill during 2018.

The total cattle inventory for 2018 is estimated at 10.2 m head, less than one percent of the 2017 inventory number. Total dairy cattle is estimated to be 9,000 head less than 2017, while the beef cattle destined for slaughter is up by 75,000 head.

## 2017

Updated official government statistics show the total 2017 ending cattle inventory is estimated at 10.14 m head. This is 64,000 head more than the previous estimate. The dairy cattle numbers had been previously underestimated.



## Beef Production

### 2019

Based on Post's forecasted 2019 cattle slaughter numbers and similar average carcass weights to 2018, beef production is likely to be 656,000 metric tons (MT) carcass weight equivalents (CWE) for 2019. The larger dairy herd, combined with higher beef production on sheep and beef farms, has increased overall beef production. The outlook for the medium term is for beef production to hover around 645-

660,000 MT. This is a four percent increase compared with the 620-630,000 MT produced annually between 2008 and 2012.

Further details for the 2019 forecast beef production can be seen in the table shown below.

## 2018

Total beef production for 2018 is now forecast at 670,000 MT CWE, up eight percent from the previous forecast of 622,000 MT. This is a total turnaround from what had been expected, primarily due to the large increase in cow kill in the second quarter of 2018, which has boosted the total cow kill by 195,000 head, which includes extra bull, steer, and heifer cattle as well. Good pasture conditions are also expected to allow for the all classes average carcass weight to be 4.5 kilograms greater than had been previously forecast.

New Zealand Beef Production Table									
Marketing Year	2017 Actual			2018 Estimated			2019 Forecasts		
Category	CW kgs/ hd	Numbers to kill (1000's)	Total tons Beef	CW kgs/ hd	Numbers to kill (1000's)	Total tons Beef	Est. CW kgs/ hd	Numbers to kill (1000's)	Total tons Beef
Cow Slaughter	198.3	970	192,315	197.0	1,000	197,000	198	970	192,060
Calf Slaughter	15.8	1,677	26,564	15.8	1,675	26,535	15.8	1,675	26,465
Heifer Slaughter	241.6	473	114,318	241.0	480	115,680	241	475	114,475
Steer slaughter	312.9	540	168,899	313.0	545	170,585	313	540	169,020
Bull Slaughter	305.5	498	151,987	305.0	525	160,125	304	505	153,520
Other Adult Cattle Subtotal	288.1	1,510	435,204	288.0	1,550	446,390	288	1,520	437,015
<b>Total Slaughter</b>	<b>157.3</b>	<b>4,157</b>	<b>654,084</b>	<b>158.6</b>	<b>4,225</b>	<b>669,925</b>	<b>157.4</b>	<b>4,165</b>	<b>655,540</b>
<b>% Change from Previous Year</b>									
Cow Slaughter	1.5%	-9.6%	-8.3%	0.7%	3.1%	2.4%	0.5%	-3.0%	-2.5%
Calf Slaughter	1.4%	-11.3%	10.1%	0.0%	-0.1%	-0.1%	0.3%	0.0%	-0.3%
Heifer Slaughter	1.8%	-1.3%	0.6%	0.3%	1.5%	1.2%	0.0%	-1.0%	-1.0%
Steer slaughter	1.1%	5.4%	6.6%	0.0%	1.0%	1.0%	0.0%	-0.9%	-0.9%
Bull Slaughter	0.1%	11.7%	11.6%	0.2%	5.5%	5.4%	0.3%	-3.8%	-4.1%
Other Adult Cattle SubTotal	1.4%	5.1%	6.6%	0.1%	2.6%	2.6%	0.2%	-1.9%	-2.1%
<b>Total Slaughter</b>	<b>7%</b>	<b>-6%</b>	<b>1%</b>	<b>0.8%</b>	<b>1.6%</b>	<b>2.4%</b>	<b>0.7%</b>	<b>-1.4%</b>	<b>-2.15%</b>

Source: StatsNZ, B+LNZ, Post Estimates

## Production Supply & Demand – Cattle Numbers

Animal Numbers, Cattle New Zealand  (1000hd, %)	2017		2018		2019		% Change 2019 New Post Data from 2018 New Post Data	% Change 2018 New Post Data from 2018 Old Post Data
	Market Year Begin: Jan 2017		Market Year Begin: Jan 2018		Market Year Begin: Jan 2019			
	Off. Data	New Post Data	Off. Data	New Post Data	Off. Data	New Post Data		
Total Cattle Beg. Stks	10,152	10,152	10,082	10,146		10,206	0.6%	0.6%
Dairy Cows Beg. Stocks	5,202	5,202	4,984	5,202		4,984	-4.2%	4.4%
Beef Cows Beg. Stocks	954	954	986	954		986	3.4%	-3.2%
Production (Calf Crop)	4,714	4,728	4,748	4,850		4,766	-1.7%	2.1%
Total Imports	0	0	0	0		0		
Total Supply	14,866	14,880	14,830	14,996		14,972	-0.2%	1.1%
Total Exports	27	27	25	15		20	33.3%	-40.0%
Cow Slaughter	970	970	900	1,000		970	-3.0%	11.1%
Calf Slaughter	1,677	1,677	1,700	1,675		1,675	0.0%	-1.5%
Other Slaughter	1,510	1,510	1,455	1,550		1,520	-1.9%	6.5%
Total Slaughter	4,157	4,157	4,055	4,225		4,165	-1.4%	4.2%
Loss	600	550	550	550		600	9.1%	0.0%
Ending Inventories	10,082	10,146	10,200	10,206		10,187	-0.2%	0.1%
Total Distribution	14,866	14,880	14,830	14,996		14,972	-0.2%	1.1%
Balance TS = TD	0	0	0	0		0		

Not Official USDA Data

## Production Supply & Demand – Beef Production

Meat, Beef & Veal New Zealand  (1000hd,1000MT CWE, kg, %)	2017		2018		2019		% Change 2019 New Post Data from 2018 New Post Data	% Change 2018New Post Data from 2018 last Post Est.
	Market Year Begin: Jan 2017		Market Year Begin: Jan 2018		Market Year Begin: Jan 2019			
	Off. Data	New Post Data	Off. Data	New Post Data	Off. Data	New Post Data		
Slaughter (Reference)	4,157	4,157	4,055	4,225		4,165	-1.42%	4.19%
Beginning Stocks	0	0	0	0		0		
Production	654	654	622	670		656	-2.09%	7.72%
Total Imports	13	13	12	13		13	0.00%	8.33%
Total Supply	667	667	634	683		669	-2.05%	7.73%
Total Exports	593	593	560	603		589	-2.32%	7.87%
Human Dom. Consumption	74	74	74	80		80	0.00%	6.67%
Other Use, Losses	0	0	0	0		0		
Total Dom. Consumption	74	74	74	80		80	0.00%	6.67%

Ending Stocks	0	0	0	0		0		
Total Distribution	667	667	634	683		669	-2.05%	7.73%
Balance TS = TD	0	0	0	0		0		

Not Official USDA Data

## Exports and Trade

### Beef Exports

#### 2019

Post envisages exports in 2019 to fall by two percent to be 589,000 MT carcass weight equivalents (CWE). The surge in bull and cow beef production is likely to subside in 2019, which will reduce total beef production and beef exports. If the rate of exporting to China is maintained, this is likely to mean a reduction of exports to the United States of around 15,000 MT CWE. Total 2019 exports to the United States are estimated at 250,000 MT to 260,000 MT CWE.

New Zealand Beef Export Statistics									
Harmonizing Codes: 0201, 0202, 021020, 160250 by Product Weight Shipped									
Year To Date: January - June									
Partner Country	2016			2017			2018		
	Quantity (MT)	Average FOB Price USD/MT	Average FOB Price NZD/MT	Quantity (MT)	Average FOB Price USD/MT	Average FOB Price NZD/MT	Quantity (MT)	Average FOB Price USD/MT	Average FOB Price NZD/MT
United States	134,357	\$4,419	\$6,508	123,828	\$4,655	\$6,571	125,059	\$4,771	\$6,684
China	41,569	\$4,558	\$6,719	47,141	\$4,786	\$6,745	58,415	\$4,861	\$6,804
Taiwan	16,239	\$5,537	\$8,155	12,617	\$5,729	\$8,084	13,526	\$5,612	\$7,864
Japan	8,764	\$6,246	\$9,174	10,362	\$5,933	\$8,377	8,533	\$7,114	\$9,984
Korea South	14,127	\$3,831	\$5,661	12,879	\$3,923	\$5,533	12,973	\$4,171	\$5,826
Canada	9,740	\$4,125	\$6,080	9,711	\$4,345	\$6,132	8,374	\$4,620	\$6,426
Netherlands	1,863	\$12,766	\$18,771	1,572	\$13,621	\$19,206	1,979	\$14,076	\$19,619
Australia	3,176	\$6,121	\$8,983	3,918	\$5,898	\$8,333	3,822	\$6,379	\$8,920
Malaysia	4,180	\$2,638	\$3,887	3,530	\$3,113	\$4,385	3,971	\$3,585	\$5,012
French Polynesia	1,588	\$7,567	\$11,185	1,418	\$8,152	\$11,494	1,658	\$8,199	\$11,448
Indonesia	6,408	\$3,913	\$5,756	4,181	\$3,610	\$5,088	3,748	\$3,265	\$4,606
Rest of World	18,064	\$6,661	\$9,824	19,032	\$6,635	\$9,366	17,172	\$6,981	\$9,760
<b>World Total</b>	<b>260075</b>	<b>\$4,744</b>	<b>\$6,989</b>	<b>250189</b>	<b>\$4,944</b>	<b>\$6,976</b>	<b>259230</b>	<b>\$5,101</b>	<b>\$7,140</b>

Source: GTA

#### 2018

2018 beef exports are now forecast to reach 603,000 MT CWE. This is an eight percent increase on the previous forecast. Because domestic consumption is such a small component of the disposal of the beef



supply and is relatively stable, the increase in the cattle kill and improved average carcass weights will increase beef production and exports in 2018.

Post now expects exports to the United States for 2018 to be similar to 2017 and reach 265,000 to 275,000 MT CWE. Post is now forecasting New Zealand beef exports to China to be 130,000 to 140,000MT CWE in 2018, which would be around 14 percent higher than 2017.

Increased exports to China have not impinged on volumes shipped to the United States for the year-to-date 2018 (June). So far exports to the rest of the world have tapered off slightly. Chinese importers now take a wide range of products from the lower value cuts once the preserve of Indonesia through to table cuts sent in chilled form.

New Zealand Beef Export Statistics									
Harmonizing Codes: 0201, 0202, 021020, 160250 by Product Weight Shipped									
Calendar Year/Marketing Year: 2015 - 2017									
Partner Country	2015			2016			2017		
	Quantity (MT)	Average FOB Price USD/MT	Average FOB Price NZD/MT	Quantity (MT)	Average FOB Price USD/MT	Average FOB Price NZD/MT	Quantity (MT)	Average FOB Price USD/MT	Average FOB Price NZD/MT
United States	226,126	\$5,174	\$7,250	194,397	\$4,459	\$6,461	193,097	\$4,750	\$6,690
China	74,125	\$4,937	\$7,054	71,174	\$4,454	\$6,429	84,428	\$4,710	\$6,629
Taiwan	23,458	\$5,695	\$8,073	25,908	\$5,489	\$7,931	21,306	\$5,624	\$7,915
Japan	16,796	\$6,469	\$9,143	17,673	\$5,988	\$8,584	16,712	\$6,226	\$8,759
Canada	23,673	\$4,692	\$6,751	18,085	\$4,207	\$6,040	19,841	\$4,414	\$6,217
Korea South	20,961	\$3,838	\$5,378	23,933	\$3,946	\$5,697	21,775	\$3,933	\$5,536
Australia	6,444	\$5,282	\$7,599	8,129	\$5,694	\$8,119	8,187	\$5,921	\$8,338
Netherlands	2,828	\$11,902	\$16,912	2,855	\$12,448	\$17,992	2,815	\$13,958	\$19,613
UAE	2,940	\$8,253	\$11,867	2,927	\$8,345	\$11,968	2,982	\$8,776	\$12,378
Hong Kong	2,328	\$8,288	\$11,765	2,631	\$7,924	\$11,429	3,151	\$8,170	\$11,516
Rest of World	56,513	\$5,738	\$8,186	51,465	\$5,489	\$7,879	49,231	\$5,721	\$8,051
<b>World Total</b>	<b>456,192</b>	<b>\$5,273</b>	<b>\$7,452</b>	<b>419,177</b>	<b>\$4,800</b>	<b>\$6,929</b>	<b>423,525</b>	<b>\$5,037</b>	<b>\$7,091</b>

Source: GTA

## Chilled NZ Beef Becoming Accepted in China

A trial allowing exports of chilled meat to China from ten specified New Zealand meat processing plants, which began July 2017, is reportedly proving to be successful. The early shipments were smaller consignments sent by airfreight, but the selected meat companies in the trial are now shipping larger parcels by sea freight.

For the year-to-date ending June 2018, New Zealand exporters shipped 14,041 MT of chilled beef to all destinations. About 9 percent of these exports (1,298 MT) were shipped to China. Expanding the chilled

beef trade generally is important because the FOB price received can be up to double that of frozen beef exports. Currently, only five to six percent of total beef exports are shipped chilled compared with 15 to 16 percent of sheepmeat exports. The Chinese market represents a big opportunity to expand New Zealand beef exports.

New meat export protocols for New Zealand beef, sheep meat and goat meat were signed by New Zealand and China in November 2017 during the same time the chilled beef trial exports were taking place. Finalizing the new protocols was a critical first step to opening the door for the export of chilled meat from all China eligible meat processing plants. The next step in the process is for the New Zealand industry to complete the outstanding administrative processes, which typically include an audit of premises against the protocols and updating the plant listing information.

### **New Origin Brand for New Zealand Red Meat**



A blueprint and a new brand designed to capture more value for New Zealand's sheepmeat and beef overseas was unveiled in May 2018 by Beef + Lamb New Zealand (B+LNZ). The farmer levy funded organization expects the new brand label to start appearing in markets overseas by the end of 2018.

The "Red Meat Story" and *Taste Pure Nature* origin brand will be used as a global brand platform to underpin exporters' marketing programs and aims to enhance the positioning of New Zealand red meat. It has been developed in conjunction with B+LNZ's processor partners and farmers over the past 12 months and has involved extensive consumer, customer, and market analysis, built upon by significant further quantitative research by the B+LNZ market development team and the organisation's recent research into alternative proteins. The brand and marketing programs will emphasise that New Zealand red meat is produced through free range, pasture fed, and ongoing environmental sustainability improvements.

*Taste Pure Nature* brand assets will be available for New Zealand exporters to use in all markets with the brand appearing on packaging, advertising and other material by the end of the year. If a New Zealand meat company wishes to use the *Taste Pure Nature* trade mark in global markets, they must apply to B+LNZ for a licence to use the mark. To be eligible for a licence, a New Zealand meat company must be part of the New Zealand Farm Assurance Programme (NZFAP) or have an ISO/IEC 17065 accredited Farm Assurance Programme, which is independently audited.

Beef+Lamb NZ is working with a number of processing/exporting companies on two pilot programs in China and the United States. These programs aim to increase demand and visibility for New Zealand beef and lamb through active in-market promotion of *Taste Pure Nature* to key distributors, foodservice and retail channels. If successful, B+LNZ will work with the processing/exporting companies to extend the active promotion to other markets.

*Find out more about the brand at [www.tastepurenaturenz.co.nz](http://www.tastepurenaturenz.co.nz).*

## **Trade Policy/Market Access**

### **Indonesia WTO Dispute brought by United States and New Zealand**

Indonesia has largely brought its beef import regulations into compliance with WTO rules. The remaining issue is the underlying legislation. If the underlying legislation is not amended, it leaves the door open for new trade restrictive measures. Reportedly, Indonesia has been given until mid-2019 to implement the necessary reforms.

### **New Zealand Signs Meat Pact with Egypt**

A new market access arrangement for red meat was signed by Ministry for Primary Industries (MPI) director-general Martyn Dunne and Egyptian Deputy Minister for Agriculture Dr. Mona Mehrez in Wellington in December 2017.

A new and simplified market access arrangement between the MPI and Egyptian authorities eliminates the need for individual New Zealand meat premise inspections for those exporting to Egypt.